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Kenya

Grain and Feed

Kenya Declares Food Emergency

2009

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Report Highlights:

The Government of Kenya (GOK) declared a food emergency on Friday, January 9, stating that about 10 million Kenyans, or approximately 25 percent of the population, are now or will soon be at severe risk of food shortages. Among the measures authorized by the GOK, as a result of the food emergency is the importation of an additional five million bags (about 450 thousand metric tons) of corn. With improved freight rates for delivery to east Africa, U.S. corn farmers may be in a position to help alleviate the corn supply shortage in the Kenyan domestic market.

Includes PSD Changes: Yes
Includes Trade Matrix: No
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In the Friday news conference to announce the food emergency, the GOK said that it would take “extraordinary measures” to make sure that the ten million, to include some 1.5 million children that are currently receiving assistance under the school feeding program, another 2.5 million who suffer from disease, including HIV/AIDS and orphans, with many of the remaining 3.5 million in the category of urban poor, receive survival food rations.

The extraordinary measures, with regards to corn importation, will likely include adapting a more trade-oriented, consumer-friendly approach to importing. The GOK will likely permit imported corn that has moisture content greater than the current 13.5 percent limit. In addition, the current 50 percent ad-valorem tariff on imported corn will likely be sidestepped by importing through the State-owned National Cereals and Produce Board (NCPB). These two measures have, in recent years, kept U.S. corn out of the Kenyan market.

As mentioned, the GOK will probably direct the state owned NCPB to import the newly-announced 450 thousand ton allocation. In a recent effort to meet domestic demand, the NCPB has recently imported corn from South Africa through a tender system. However, it is likely that under the emergency declaration the NCPB will negotiate future deals directly with exporters or their agents. The NCPB will distribute the imported corn to millers throughout the country, who have been milling hand-to-mouth for several months, caught between the short domestic production and stable domestic demand for corn flour.

The GOK has recently also announced an opportunity for the private sector to import 100 thousand metric tons of feed corn. The imported feed corn, subject to a two percent adventitious presence for biotechnology corn, will be destined to feed compounding in support of the domestic livestock feeding industry, which would normally have utilized poor-quality domestically produced corn as part of the feed ration. This measure will free up domestically-produced white corn that can be used for human consumption.

A note of caution, however, while corn prices and freight rates may be relatively attractive, the cost to the GOK to import corn and then resale it to the milling industry at a price that will permit millers to maintain currently-controlled corn-flour prices will be expensive. The GOK tax revenue generating capacity has been dampened by the post-election violence, which undermined the tourist industry and domestic production. In addition, the global economic crisis has further limited the potential for an economic rebound and an increase in tax revenues by dampening export prospects in the flower, tea and coffee markets, as well as the tourist industry.

Here below we include two supply and demand tables outlining Kenya's corn situation. We present the first table in thousand metric tons and the following in million 90-kilogram bags (used in the domestic corn nomenclature). We estimate that the GOK will import 700 thousand metric tons of corn during the 2008/09 marketing year. We have revised this estimate down from our December 2008 estimate of 800 thousand tons (second column of the 2008/09 year in the table here below) even while we have reduced our estimate of domestic production by 200 thousand tons to 2 million tons (from our previous estimate); because we are concerned that the lengthy political process needed to arrive at this decision to increase imports may have aggravated the financial and logistical problems associated with the relatively large quantity (800 thousand tons) of imports. However, we also increased our estimate of U.S. export prospects from zero to 300 thousand tons for reasons noted above and because freight rates are currently advantageous.

-Please note that in our previous report KE8029, the supply and demand table was not the version we had intended for the report. We include the corrected estimates in the second column of the 2008/09 marketing year in the table below.

--Additional reporting on this subject:

KE8023--Kenya's Import Tariffs and Policies Increase Kenya's Food Insecurity

KE8026--Stifled EAC Agricultural Productivity Increases Food Insecurity

KE8029--Kenya Corn/Products Shortage

Corn Kenya (TMT)	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Jul 2006			Market Year Begin: Jul 2007			Market Year Begin: Jul 2008		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Harvested	1,700	1,700	1,700	1,700	1,700	1,700	1,600	1,645	1,645
Beginning Stocks	182	182	182	271	302	302	296	277	277
Production	3,000	3,120	3,120	2,950	2,950	2,950	2,550	2,200	2,000
MY Imports	39	50	50	25	25	25	100	800	700
TY Imports	2	0	0	25	0	0	100	800	700
TY Imp. from U.S.	0	0	0	0	0	0	0	0	300
Total Supply	3,221	3,352	3,352	3,246	3,277	3,277	2,946	3,277	2,977
MY Exports	100	100	100	0	50	50	0	20	20
TY Exports	100	100	100	0	50	50	0	20	20
Feed Consumption	50	50	50	50	50	50	50	50	100
FSI Consumption	2,800	2,900	2,900	2,900	2,900	2,900	2,700	3,000	2,700
Total Consumption	2,850	2,950	2,950	2,950	2,950	2,950	2,750	3,050	2,800
Ending Stocks	271	302	302	296	277	277	196	207	157
Total Distribution	3,221	3,352	3,352	3,246	3,277	3,277	2,946	3,277	2,977
Yield	2.00	1.84	1.84	2.00	1.74	1.74	2.00	1.34	1.22

Corn Kenya (million 90K Bags)	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Jul 2006			Market Year Begin: Jul 2007			Market Year Begin: Jul 2008		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Harvested (Thousand Hectares)		1,700	1,700		1,700	1,700		1,645	1,645
Beginning Stocks		2.0	2.0		3.4	3.4		3.1	3.1
Production		34.7	34.7		32.8	32.8		24.4	22.2
MY Imports		0.6	0.6		0.3	0.3		8.9	7.8
TY Imports		0.0	0.0		0.0	0.0		8.9	7.8
TY Imp. from U.S.		0.0	0.0		0.0	0.0		0.0	3.3
Total Supply		37.2	37.2		36.4	36.4		36.4	33.1
MY Exports		1.1	1.1		0.6	0.6		0.2	0.2
TY Exports		1.1	1.1		0.6	0.6		0.2	0.2
Feed Consumption		0.6	0.6		0.6	0.6		0.6	1.1

FSI Consumption		32.2	32.2		32.2	32.2		33.3	30.0
Total Consumption		32.8	32.8		32.8	32.8		33.9	31.1
Ending Stocks		3.4	3.4		3.1	3.1		2.3	1.7
Total Distribution		37.2	37.2		36.4	36.4		36.4	33.1
Yield		0.02	0.02		0.02	0.02		0.01	0.01